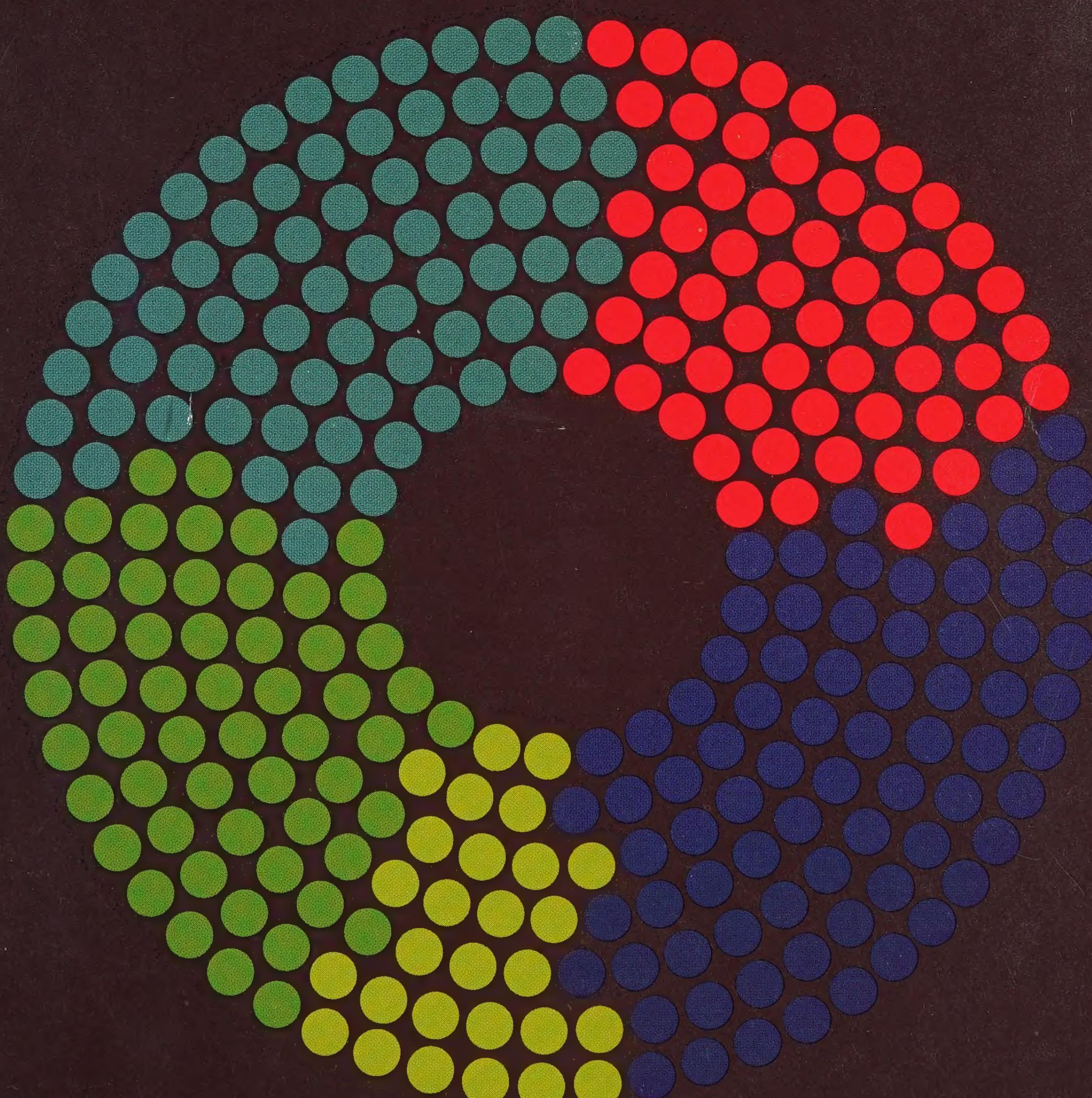
POWER CORPORATION OF CANADA



ANNUAL REPORT 1980

POWER CORPORATION OF CANADA

ANNUAL REPORT 1980

INDEX

Financial Highlights

FOR THE YEAR ENDED DECEMBER 31	**1980**	1979	1978
Gross revenue from operations	**$384,281,000**	$326,285,000	$300,276,000
Consolidated earnings before extraordinary items	**$104,166,000**	$ 86,418,000	$ 51,611,000
Extraordinary items	**$ 16,826,000**	$ 11,939,000	$ (9,085,000)
Consolidated net earnings	**$120,992,000**	$ 98,357,000	$ 42,526,000
Provision for depreciation	**$ 17,189,000**	$ 13,501,000	$ 12,914,000
Cash flow from operations	**$ 54,560,000**	$ 29,378,000	$ 38,754,000
Earnings per 15¢ participating preferred and common share			
—before extraordinary items	**$ 4.05**	$ 3.35	$ 1.97
—after extraordinary items	**$ 4.71**	$ 3.82	$ 1.61

AS AT DECEMBER 31			
Working capital	**$ 30,118,000**	$ 68,735,000	$ 86,868,000
Investments	**$528,521,000**	$460,306,000	$426,214,000
Fixed assets—net	**$167,926,000**	$149,768,000	$132,404,000
Long-term debt	**$213,301,000**	$219,184,000	$232,896,000

Directors' Report to Shareholders

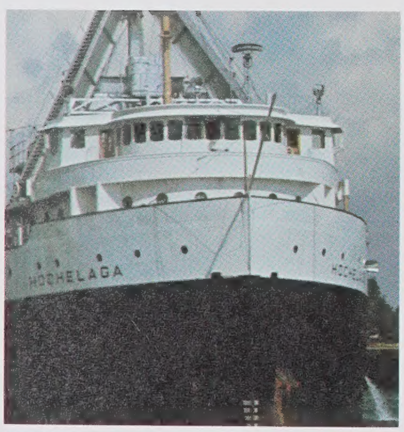
The directors of your Corporation are pleased to submit the Annual Report together with the consolidated financial statements for the year ended December 31, 1980.

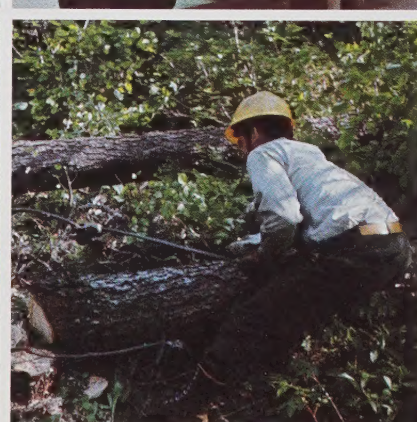
The consolidated earnings of $121 million are the highest in Power Corporation's history and compare with $98.4 million in 1979. These earnings are equivalent to $4.71 per share, as against $3.82, after allowing for the payment of dividends on the non-participating preferred shares. They include extraordinary gains of $16.8 million compared with $11.9 million in 1979.

Dividends paid on the participating preferred and common shares amounted to $1, an increase of 30 cents per share over 1979.

Gross revenues from the Corporation's wholly-owned transportation and shipbuilding companies were $384.3 million, an increase of $58 million over the previous year. Earnings from operations before interest, depreciation and income taxes were $35.9 million, compared with $29 million in 1979. The major improvement in operating earnings occurred primarily in bus operations which had been seriously depressed in the previous year by labour disruptions.

A total of $36.3 million was spent on capital improvements to the transportation group, compared with $31.3 million in the previous year. The largest part of these capital expenditures in the last two years has been in connection with investment in new ships, along with the replacement of buses and trucks.





The major portion of your Corporation's total earnings flows from Power's interests in The Investors Group and Consolidated-Bathurst Inc. which, in total, amounted to $106 million, compared with $86.7 million in 1979.

The Investors Group contributed $59.4 million to your Corporation's earnings, an increase of $10.1 million over last year. Great-West Life, which is 95.8 per cent owned by The Investors Group, earned $48.4 million in 1980, compared with $40.4 million in the preceding year. Montreal Trust, a 50.2 per cent subsidiary, earned $8.6 million in 1980, compared with $6 million in 1979. The earnings of the wholly-owned subsidiaries of The Investors Group were $20.1 million, before interest on debentures and provision for income taxes, compared with $18.9 million in 1979. These companies, as a financial group, continue to show leadership in their industry.

Dividends received from The Investors Group were $17.8 million, an increase of $6.6 million, of which $4.5 million resulted from the increase in the dividend from The Great-West Life Assurance Company.

Your Corporation's share of the earnings of Consolidated-Bathurst Inc. was $45.4 million, compared with $35.5 million in 1979. This company continues to benefit from the rate of exchange of the Canadian dollar in its export business, as well as the continued improvements in productivity resulting from its substantial capital expenditures.

Dividends from Consolidated-Bathurst Inc. were $17 million, compared with $8.3 million in 1979. The dividends received in 1980 include the special year-end extra of 70 cents per share which your Corporation elected to take in the form of 260,641 common shares rather than in cash.

Gesca Ltée contributed $1.2 million to your Corporation's earnings, compared with $1.9 million in the previous year, but it is expected that 1981 will show a return to more normal profitability.

In addition to the purchase of 375,000 shares of Consolidated-Bathurst Inc., your Corporation also acquired a 2.3 per cent interest in the shares of Compagnie Financière de Paris et des Pays-Bas, at a cost of $20 million.

Mr. Daniel Johnson, Secretary since 1973 and Vice-President since 1978 of the Corporation, has recently resigned to become a candidate in the upcoming Québec provincial election. The Board takes this opportunity to thank Mr. Johnson for his services, and trusts that he will be successful in his new career.

Your board of directors regrets that Messrs. Bherer, Porteous and Scrivener will not be standing for re-election to your board and wishes to express its sincere appreciation for their contribution.

Mr. Bherer, who has been a director since 1968 and has now reached the mandatory retirement age, has served as Chairman of the Audit Committee, and has contributed effectively to your Corporation.

Mr. Porteous, who has been a director since 1979 and has reached the mandatory retirement age, has served ably as Legal Counsel for many years.

Mr. Scrivener, who has been a member of the board and of the Executive Committee since 1970, has made an important contribution to your Corporation's affairs, as well as to the Canadian business community.

The directors acknowledge that the record financial results for 1980 would not have been possible without the dedicated effort of the management and staffs of all the companies, and wish to express their sincere appreciation.

On behalf of the Board,

James W. Burns
President

Paul Desmarais
Chairman and Chief Executive Officer

Montréal, Québec, March 26, 1981

Transportation and Shipbuilding

The CSL Group Inc.

The CSL Group Inc. is a major transportation and shipbuilding organization which provides a multitude of services to a large number of national and international clients.

The four major companies comprising the Group, which manages Power Corporation's investment in transportation and shipbuilding are:

- Canada Steamship Lines Inc., handling the Group's marine business with headquarters in Montréal and offices across Canada;
- Canadian Shipbuilding & Engineering Limited, with shipyard facilities in Collingwood and Thunder Bay, Ontario;
- Kingsway Transports Limited, a major Canadian common carrier, with operating licenses and terminals stretching from Québec City to Vancouver, and from the Yukon to New York; and
- Voyageur Enterprises Limited, an inter-city passenger bus service, whose routes connect major cities in Québec and Ontario, including the Toronto, Ottawa, Montréal triangle.

The Group's gross revenue from operations, amounted to \$384.3 million in 1980, a substantial increase over the previous year. Earnings from operations, before interest, depreciation and income taxes, amounted to \$35.9 million in 1980.

In the course of the year, the Group in furtherance of its policy of a balanced development strategy invested \$36.3 million in capital programs, to strengthen the companies within the Group. This investment was in excess of the operating earnings for the year, and serves to underline the CSL Group's objective of providing services and facilities that best serve its customers and its ability to continue to be a leader in its chosen fields.

Canada Steamship Lines Inc.

Canada's largest inland shipping company is Canada Steamship Lines Inc., which forms a vitally important part of the country's total transportation structure.

Canada Steamship Lines' fleet of 39 vessels comprises self-unloaders, bulkers, cement carriers, package freighters and tugs with a total cargo carrying capacity of more than 750,000 deadweight tons.

Its self-unloaders carry up to 30,000 tons of cargo and are able to discharge their cargoes without the aid of shore-based equipment. This is accomplished by a series of conveyor belts which move cargo out of the holds onto a 250-foot boom which may be swung out to dock side for unloading.

In 1980, Canada Steamship Lines Inc. introduced the "Nanticoke", built at the Collingwood Shipyard of Canadian Shipbuilding & Engineering Limited, the shipbuilding entity within The CSL Group.

The "Nanticoke" is a coastal-class self-unloader, capable of operating not only the traditional routes of the Great Lakes and the St. Lawrence, but also along the East Coast of Canada. She will be joined by a full ocean-going self-unloader, to be built at Collingwood in 1981 and delivered for service during the 1982 season.

Canada Steamship Lines' fleet has bulk carriers capable of lifting up to 25,000 tons of cargo each at Seaway draft. These vessels are designed to carry efficiently such bulk commodities as grain and iron ore. Canada's grain exports depend in large measure on the capability of these vessels to transport large cargoes at economical rates from the Lakehead to St. Lawrence River Ports for onward shipment to other parts of the world.

Two self-unloading cement ships carry approximately 700,000 tons per navigation year of dry powdered cement, mainly between ports on Lake Ontario. These vessels are equipped with pneumatic pump systems which unload the cement into silos at the customer's dock.

The package freighters within the Canada Steamship Lines fleet handle diversified cargo such as canned goods, steel and forest products. Loading and unloading is accomplished with fork lift trucks which drive palletized goods

through doors built into the sides of the ships.

Canada Steamship Lines also operates Québec Tugs, a company which provides the Port of Québec with tug and bunkering barge services. Québec Tugs has the capability of long ocean tows and successfully completed a tandem tow to South America in 1980.

Canadian Shipbuilding & Engineering Limited

This subsidiary operates two shipyards—Collingwood Shipyard at Collingwood, Ontario, and Port Arthur Shipyard at Thunder Bay, Ontario—which employed close to 1,300 people at the end of 1980, with an annual payroll of close to $21 million.

During the year, the Collingwood yard completed one 730-foot maximum Seaway-size self-unloader, launched a second, delivered a 105-foot harbour tug and rebuilt a severely damaged Great Lakes bulk carrier. The Port Arthur shipyard converted a maximum Seaway-size bulk carrier to a self-unloader. It experienced a very busy year in ship repairs despite the absence of winter dockings due to the bulk carrier conversion.

Kingsway Transports Limited

The economic slowdown in Central Canada had its effect on all the Kingsway divisions operating in this region of the country. Improved conditions in the West helped to offset some of these negatives and proved the usefulness of having a trucking company that covers the nation. The Kingsway trucking organization has 46 terminals across Canada, and close to 2,000 units operating over a 40,000-mile route system.

The acquisition of Yukon Freightlines Limited in late 1979, enabled Kingsway in 1980, to provide a vital supply link to the Yukon and the Northwest Territories.

Servall is Kingsway's specialist truckload company that carries heavy, large-sized freight of the kind used in the construction industry. Its business in the West improved during 1980.

Brocklesby is Kingsway's division specializing in overweight, overlength and overheight freight. Its operations were adversely affected in 1980 by the downturn in Eastern Canada but operations saw a marked improvement in the western regions.

Kourier, the small package division of Kingsway, experienced improved results in 1980.

Voyageur Enterprises Limited

Voyageur is Eastern Canada's largest inter-urban bus company with 300 agent points and a fleet of more than 400 luxury climate-controlled coaches, which operate over 50 scheduled routes through Quebec and Ontario. It carries more than seven million passengers over 31 million miles annually, connecting at key points with other bus lines to form a transcontinental network.

Voyageur is the industry leader in developing premium bus services that offer "living-room" comfort. During 1980, the "Voyageur 2" luxury bus service was introduced for the convenience of people travelling between Montréal and Ottawa.

"Voyageur 2" complements the "Grand Express" luxury service recently introduced between Montréal and Québec City.

Intensive efforts are being directed towards attracting new users and to improving cost effectiveness in light of difficult market conditions.

The Investors Group

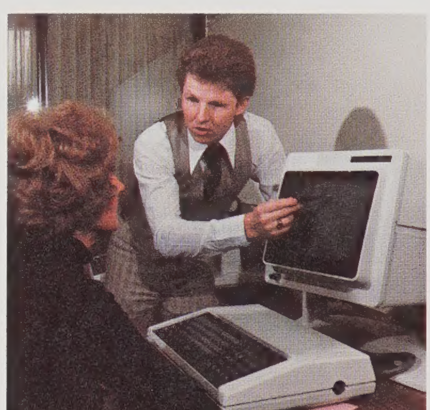
The Investors Group is a Winnipeg-based financial services holding company incorporated in 1940. Its wholly-owned subsidiaries, Investors Syndicate, Investors Securities Management, Investors Group Trust and Investors Syndicate Realty, distribute investment contracts, investment funds, retirement savings plans and pension services across Canada and also provide a mortgage investment facility. This broad range of services is augmented by individual and group life insurance products and personal and corporate trust services made available through two subsidiary companies, The Great-West Life Assurance Company (95.8 per cent owned) and Montreal Trust Company (50.2 per cent owned). A commentary of the 1980 operations of these two companies follows this report.

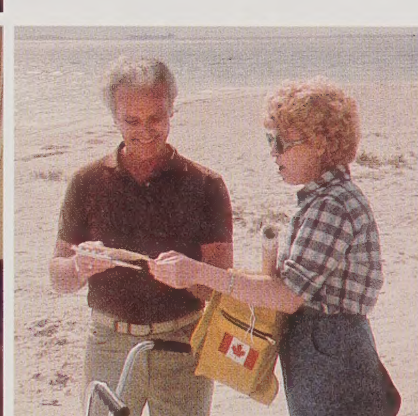
The financial services offered through the Investors organization are designed to satisfy the needs of its clients for accumulation of savings, investment, life and health protection, retirement income and tax planning.

The company anticipates dramatic new growth during the current decade. Increasing emphasis will be placed on comprehensive financial planning for investors clients. This service involves identification of the client's current needs, present resources and long-term financial objectives, coupled with the development of an individualized financial plan. The crucial step in this process is the creation of the plan to meet personal objectives rather than the promotion of specific products. A full range of Investors products are available to meet individual requirements. These services are provided by Investors full-time sales representatives who, through professional development programs, are expanding their skills as personal financial planners.

There will be continued growth in the distribution facilities of the company. During 1980, the sales force increased by 100 to a total of 827 full-time representatives based in 48 offices located throughout the 10 provinces of Canada.

The Investors companies direct the savings, investment and retirement funds entrusted to them by their clients into the Canadian, U.S. and Japanese securities markets as well as to the provision of significant levels of funding for residential and commercial mortgages in Canada. Through its investment operations, Investors provides capital which supports the growth of productive capacity and employment opportunities in Canada as well as providing funding to meet Canadian housing needs.





Total assets under administration, exclusive of the Company's interest in Great-West Life and Montreal Trust, grew during 1980 from $2.5 billion to $2.9 billion. Investors is the largest private distributor and manager of investment funds in Canada and the largest Canadian investment contract issuer. At December 31, 1980 net investment fund assets under administration totalled $1.2 billion, reserves supporting investment contracts were $760.6 million, and pension fund assets under management, administration, or custodianship totalled $823.8 million.

The Investors Group consolidated net operating income for 1980 was $65 million compared with the $54.8 million reported for 1979. After allowing for preferred dividends, earnings per share were $4.62 in 1980 and $3.83 in 1979. Consolidated net income after extraordinary items was $74.2 million or $5.33 per share in 1980, compared with $62.9 million or $4.45 per share in the previous year.

During the year, dividends totalling $1.30 per share were paid on the Company's classes of common shares compared with 77.5 cents in 1979.

The Great-West Life Assurance Company

In 1980, for the third consecutive year, Great-West Life paid or credited more than $1 billion to its policyholders and their beneficiaries—continuing evidence of the company's ever increasing stature in North America. As of last year, the company ranked 13th in terms of insurance in force, of more than 1,900 life insurance companies on the continent. In Canada, Great-West was the leader in group insurance, as measured by business in force, and led its competitors in total new business for the previous year.

Great-West Life is an international company. It serves the life and health insurance needs of more than three million policyholders, with group and individual products, across Canada, and in 47 American States and the District of Columbia.

1980 marked the opening of the company's headquarters for United States operations in the impressive twin tower Great-West Life Plaza in downtown Denver. The evolution of fully separate regions is designed to further enhance the company's ability to serve its clients and respond even more quickly to demands of the United States market. In 1980, the Group Pension Division of the company joined marketing operations in Denver; regionalization will be complete in 1982. 1981 marks Great-West Life's 75th anniversary in the United States.

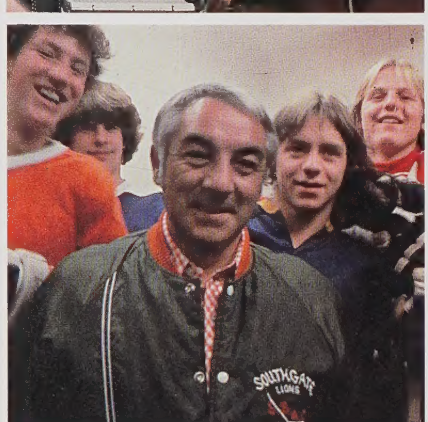
In Winnipeg, ground was broken November 20 to start construction of the company's new corporate headquarters. The first phase of construction includes a five-storey international corporate headquarters building to accommodate more than 650 staffers, and a central building to link the new headquarters to the present Head Office. Occupancy is scheduled for 1983. The present Head Office building will become the headquarters for Canadian operations.

Great-West Life reaffirmed its reputation as an industry leader June 30, when it established the Canadian Real Estate Investment Fund. The pooled, segregated fund for the investment of Pension Plan assets was the first in Canada with no legal limit set on the portion of a fund's assets that may be invested in it.

The company's pool of investable funds grew from $846 million in 1979 to $989 million in 1980, $65 million of which was invested in real estate. In 1981, the company's investable funds are projected to reach $1.2 billion.

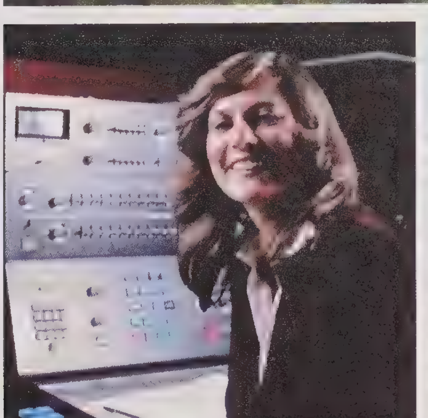
The real estate fund, coupled with the company's continuing search for quality investment materials, led to involvement in several major projects in 1980:

- The company entered into an agreement to purchase Cambridge Leaseholds, Limited for $209 million. That gave Great-West Life 70 per cent of the shares in a chain of shopping centres —24 currently operating and six under construction—a total of 7.3 million square feet of shopping space. The centres, located in Alberta, Ontario, Manitoba, Saskatchewan, Quebec and New Brunswick, include Calgary's Chinook Centre, The Cornwall Mall and Winnipeg's Kildonan Place.
- Great-West Life joined with two partners to acquire 2,500 acres of land in Dallas County, Texas, between Dallas and Fort Worth. The property, which is adjacent to Las Colinas, will be developed over the next 10-12 years as part of a multi-use planned community. The prime residential and commercial land was acquired for $43.7 million early last year.
- Canada's Wonderland, the $115 million Theme Park 19 miles northwest of Toronto, neared completion in 1980. Great-West Life has a divided interest in the project with Taft Broadcasting Company. The Park's main focal point, a 150-foot mountain, was among the features finished last year. Public opening is scheduled for May 23, 1981.



Sales of life insurance reached $8.7 billion while annuities, based on revenue premium, topped $545 million. Sales were virtually the same in the two regions, Canada and the United States. Health insurance sales amounted to $135 million of annualized premiums of which 32 per cent came from Canada and 68 per cent was attributed to the United States.


GREAT-WEST LIFE



At the end of 1980, Great-West Life had more than $55 billion of life insurance in force on its clients, in addition to more than $2.7 billion of annuity business in force (funds held basis). Health insurance in force, in terms of gross annualized premium, stood at more than $630 million. Total assets increased by 16 per cent during the year, to $5.1 billion.

The company's premium income from all business topped the billion dollar mark for the third consecutive year in 1980, at $1.3 billion—an increase of seven per cent over 1979. In addition, its very extensive investment program generated net investment income of $430 million, compared with $345 million in 1979. The largest part of the company's income is paid out or credited to policyholders and their beneficiaries: $1.5 billion for 1980. Net income from operations attributed to shareholders amounts to $48.4 million, representing $24.17 per share, compared with $20.20 in 1979, an increase of 20 per cent. Dividends paid per share in 1980 amounted to $8 compared with $5.60 in 1979.

Montreal Trust

Montreal Trust recorded significant increases in income during 1980, including those from fees and commissions earned from its comprehensive range of Estate, Trust and Agency services.

Pension Services, which include investment management custodial and trustee services recorded a 26 per cent increase in fee revenue. Aggressive marketing of these has added to the number of accounts. A reorganization of the pension investment management services commenced in 1980. This will provide a consistent standard of investment performance related to the objectives of our pension clients across the country.

1980 was an active year for Stock Transfer services. There were a number of takeovers, reorganizations, stock splits and right issues for major clients, in addition to the acquisition of new clients, which contributed a 47 per cent gain in fee revenue. The experienced stock transfer staff, supported by the unique Automated Corporate Transfer System, has contributed to the maintenance of the Company's leading position in this market.

Personal Trust services recorded steady growth during 1980. Montreal Trust's well-recognized expertise in this service area continues to be a major income producer for the Company. The innovative Common Trust Fund, now in operation coast-to-coast, provides trustees of estates the opportunity to achieve investment diversification and higher growth potential.

Montreal Trust's real estate brokerage operations increased commission revenue during the year. A realignment of real estate branches was commenced during 1980 to strengthen the Company's position in key markets.

In addition to the growth in fee and commission income, the financial intermediary operations were able to achieve a satisfactory spread in an extraordinary interest rate environment. The Guaranteed Account, including Guaranteed Investment Certificates, Savings deposits and Mortgages recorded a 16 per cent growth in average assets.

Tax Shelter and Investment Fund Services for both individuals and corporations recorded consistent growth. The Company's strong presence in this market will continue to be an important source of income.

As one of Canada's leading full service trust companies, Montreal Trust offers a wide range of fiduciary and financially related services to corporations and individuals through its branch network from coast-to-coast.

Net operating income for the year was $8.6 million or $3.33 per share and net income was $10 million or $3.88 per share. The comparative figures for 1979 were $2.32 and $2.45, respectively. Dividends paid during the year were $1.10 per share, an increase of 10 cents over the previous year.

Consolidated-Bathurst

In 1980, Consolidated-Bathurst Inc., the Corporation's forest products and packaging affiliate, exceeded $100 million in net earnings for the second time in its history. It completed the first year of the eighties with record performance, a sound financial base and a strong capital spending program, aimed primarily at modernization of its major pulp and paper facilities.

Net earnings were $122 million, up 19 per cent over those of 1979. This represented $5.42 per common share compared with $4.47 per common share in 1979. Compared to a basis of Canadian and U.S. dollars at parity, some 32 per cent of earnings might be attributed to the foreign exchange benefit of a weak Canadian dollar. Net sales at $1.4 billion were 12 per cent higher than the $1.2 billion achieved in 1979. Dividends declared on common shares, including a special year-end extra, increased from $1 in 1979 to $2 in 1980.

Currently, Consolidated-Bathurst operates in three business areas: pulp and paper; packaging; gas production, and equity investment in oil and gas production and exploration.

During 1980, the four woodlands divisions of the Pulp and Paper Group delivered 2.4 million metric tonnes of wood fibre to company mills, some 41 per cent of it in the form of sawmill residue. The seven mills, in turn, produced 1.5 million metric tonnes of pulp and paper products, mainly newsprint; five sawmills, approximately 121.5 million fbm of lumber. Although market demand for newsprint, the company's most important product line, and for pulp continued strong, overall mill production was down slightly from 1979, due to a 70-day strike at the newsprint mill in Ville de La Baie (formerly Port Alfred, in the Saguenay region). The related loss of about 60,000 tonnes of production prevented Consolidated-Bathurst from surpassing 1979's record production of pulp and paper products. Total sales of forest products, at $699 million including intra-company sales, were 11 per cent above those of 1979, with Group operating profit, at $186.8 million, up 18 per cent.

The Packaging Group comprises three main companies. Consolidated-Bathurst Packaging Limited's Bag and Container divisions produce, respectively, industrial bags and corrugated shipping containers for manufacturing and processing industries in Canada. Domglas Inc. is the country's largest manufacturer of glass containers. It has a plastic container subsidiary and a table glassware affiliate. The third company, Europa Carton AG, is the largest manufacturer of corrugated containers and folding cartons in the Federal Republic of Germany.

Net sales of the Packaging Group climbed 12 per cent to $743 million. Packaging's operating profit of $47.7 million was 63 per cent better than in the preceding year.

The third business area from late 1979 comprises company investments in natural gas production and in equity participation in oil and gas production and exploration.

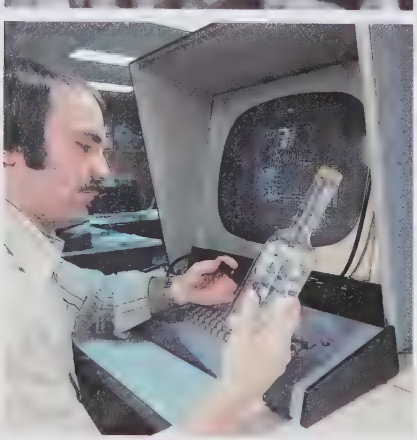
During 1980, Consolidated-Bathurst raised its investment in Sceptre Resources Limited of Calgary to $20 million and purchased $19 million in shares of Sulpetro Limited, also of Calgary. Early in February 1981, the company announced that it had agreed to purchase, subject to certain conditions being met, additional Sulpetro shares for $47 million. These and various smaller investments extend Consolidated-Bathurst's diversification beyond its traditional fields and give it a promising entrée into the critically important field of energy.

Consolidated-Bathurst's basic markets are cyclical in nature and the company is using its current success not only to bring production facilities up-to-date so as to improve productivity but to broaden its basic pulp and paper and packaging lines.

At the mills, for example, various major projects are underway. These include the 'very high yield' sulphite pulp mill at Grand'Mère, a newsprint machine speed-up at Shawinigan, a new paper machine to produce lightweight specialty papers at Trois-Rivières, and a boiler to burn wood waste at Ville de La Baie. Additional projects approved late in 1980 were $85 million to add new pulping capacity and speed up the four newsprint machines at Ville de La Baie, a $10 million expenditure for a second supercalender to produce additional rotogravure paper at Grand'Mère, and $7 million for modernization of the spruce sawmill at St. Fulgence.

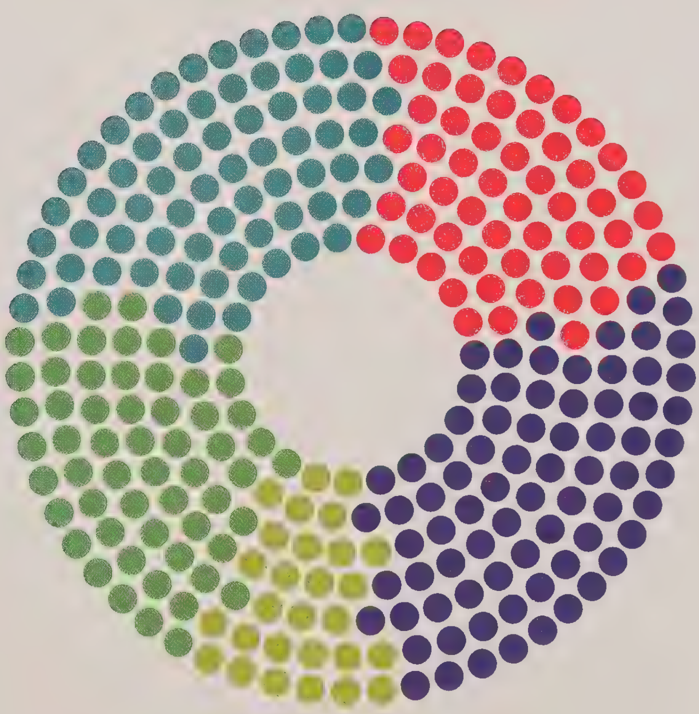
In February 1981, Consolidated-Bathurst sold its shares in Abitibi-Price Inc. for approximately $57 million, resulting in a pre-tax gain of around $23 million.

The company's outlook for 1981 is for a continued increase in sales revenues and good earnings. This will be dependant on the economies of Canada, the United States and Germany, where we have important markets, and the continuation of the exchange benefit of a weak Canadian dollar.



FINANCIAL STATEMENTS

INDEX



Power Corporation of Canada
Consolidated Balance Sheet
As at December 31

ASSETS	1980	1979
CURRENT ASSETS		
Cash and short-term investments	$ 42,296,000	$ 87,616,000
Accounts receivable	44,752,000	47,728,000
Inventories *(note 2)*	22,511,000	14,597,000
Prepaid expenses	1,530,000	1,575,000
	111,089,000	151,516,000
INVESTMENTS		
Subsidiary and affiliates at equity *(note 3)*	479,311,000	430,227,000
Other securities	49,210,000	30,079,000
	528,521,000	460,306,000
FIXED ASSETS—AT COST	334,987,000	304,206,000
Less: accumulated depreciation	167,061,000	154,438,000
	167,926,000	149,768,000
	$807,536,000	$761,590,000

Approved by the Board of Directors

Paul Desmarais James W Burns

Director Director

LIABILITIES	**1980**	1979
CURRENT LIABILITIES		
Bank loan	**$ 3,201,000**	$ 5,130,000
Accounts payable and accrued charges	**59,300,000**	48,857,000
Progress payments and billings in excess of costs incurred on uncompleted contracts	**1,530,000**	1,643,000
Income taxes payable		10,971,000
Current portion of long-term debt	**16,940,000**	16,180,000
	80,971,000	82,781,000
LONG-TERM DEBT *(note 4)*	**213,301,000**	219,184,000
DEFERRED INCOME TAXES	**41,657,000**	37,260,000
PROVISIONS		
Insurance losses, repairs and claims	**5,115,000**	4,133,000
Deferred compensation	**481,000**	577,000
	5,596,000	4,710,000
SHAREHOLDERS' EQUITY		
Capital stock *(note 5)*—non-participating preferred	**18,219,000**	20,135,000
—participating preferred	**18,074,000**	18,074,000
—common	**159,865,000**	159,865,000
Retained earnings	**269,853,000**	219,581,000
	466,011,000	417,655,000
	$807,536,000	$761,590,000

Power Corporation of Canada

Statement of Consolidated Earnings

For the year ended December 31

	1980	1979
Gross revenue from operations	**$384,281,000**	$326,285,000
Earnings from operations	**$ 35,901,000**	$ 28,957,000
Share of earnings of subsidiary and affiliates *(note 3)*	**106,039,000**	86,726,000
Income from investments	**11,116,000**	11,173,000
	153,056,000	126,856,000
Interest on long-term debt	**21,655,000**	19,945,000
Provision for depreciation	**17,189,000**	13,501,000
Provision for income taxes	**10,046,000**	6,992,000
	48,890,000	40,438,000
Earnings before extraordinary items	**104,166,000**	86,418,000
Extraordinary items *(note 6)*	**16,826,000**	11,939,000
Net earnings	**$120,992,000**	$ 98,357,000
Earnings per 15¢ participating preferred and common share		
—before extraordinary items	**$ 4.05**	$ 3.35
—after extraordinary items	**$ 4.71**	$ 3.82

Statement of Consolidated Retained Earnings

For the year ended December 31

	1980	1979
Retained earnings beginning of year	**$219,581,000**	$162,450,000
Add:		
Net earnings	**120,992,000**	98,357,000
Gain on preferred shares purchased for cancellation	**835,000**	436,000
	341,408,000	261,243,000
Deduct:		
Dividends		
Non-participating preferred shares	**893,000**	975,000
Participating preferred shares	**2,781,000**	1,947,000
Common shares	**22,737,000**	15,916,000
Share of charges to retained earnings of subsidiary and affiliates *(note 3)*	**45,144,000**	22,824,000
	71,555,000	41,662,000
Retained earnings end of year	**$269,853,000**	$219,581,000

Statement of Changes in Consolidated Financial Position
For the year ended December 31

	1980	1979
SOURCE OF FUNDS		
From operations		
Earnings before extraordinary items	**$104,166,000**	$ 86,418,000
Non cash charges (credits)		
Provision for depreciation	**17,189,000**	13,501,000
Deferred income taxes	**4,390,000**	(3,373,000)
Earnings not received in cash	**(71,185,000)**	(67,168,000)
	54,560,000	29,378,000
Disposal of fixed assets	**4,292,000**	3,306,000
Disposal of investments	**1,165,000**	32,618,000
Gain on disposal of short-term investments	**8,409,000**	
Issue of long-term debt	**10,207,000**	2,658,000
	78,633,000	67,960,000
USE OF FUNDS		
Additions to fixed assets	**36,326,000**	31,328,000
Purchase of investments	**35,692,000**	14,958,000
Reduction of long-term debt	**16,917,000**	16,370,000
Redemption of preferred shares series A		229,000
Acquisition of first preferred shares for cancellation	**1,081,000**	920,000
Dividends—non-participating preferred shares	**893,000**	975,000
—participating preferred shares	**2,781,000**	1,947,000
—common shares	**22,737,000**	15,916,000
Miscellaneous	**823,000**	3,450,000
	117,250,000	86,093,000
Decrease in working capital	**38,617,000**	18,133,000
Working capital beginning of year	**68,735,000**	86,868,000
Working capital end of year	**$ 30,118,000**	$ 68,735,000

Power Corporation of Canada
Notes to Consolidated Financial Statements
December 31, 1980

Note 1.
Summary of Significant Accounting Policies

Principles of Consolidation and Presentation
The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All significant inter-company transactions are eliminated.

Investments in other subsidiary and affiliates are accounted for on the equity basis. A full consolidation of the financial statements of Power Corporation and its subsidiaries has not been prepared as such statements would not present fairly the financial position of the Corporation. Financial statements of the major non-consolidated subsidiary and affiliates are presented on pages 23 to 38 of this Report.

The difference between the cost of the investment in corporations accounted for on the equity basis and the book value of the underlying net assets at the dates of acquisition is included in the carrying value of these investments.

Inventory Valuation
Shipyard contracts are accounted for on the "completed contract" basis whereby gross revenue and earnings are recognized when the contracts are completed. During the construction period, shipyard work-in-progress is accounted for at cost less allowance for losses on uncompleted contracts.

Inventories of stores and supplies are carried at the lower of cost and replacement cost.

Investments
Investments in other securities are stated at cost less write downs.

Fixed Assets and Depreciation
Fixed assets are stated at cost. The cost and related accumulated depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the statement of consolidated earnings.

Investment tax credits relating to capital expenditures are accounted for as a reduction of the cost of fixed assets in the year the expenditures are incurred.

Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Leases
All leases entered into after December 31, 1978 are classified as capital or operating leases as appropriate. Assets recorded under capital leases are depreciated on the same basis as Corporation owned assets. Obligations recorded under capital leases are reduced by rental payments net of imputed interest expense.

Maintenance and Repairs
Maintenance and repairs are charged to expenses as incurred. Expenditures which result in a material enhancement of the value of the assets involved are treated as additions to fixed assets.

Income Taxes
The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred mainly in respect of capital cost allowance claimed in excess of depreciation charged in the accounts.

Pensions
The Corporation and its wholly-owned subsidiaries have pension plans for employees, which are being funded, and the current service cost portion is charged to earnings as incurred. Any unfunded liability is being amortized in accordance with government regulations.

Note 2.
Inventories

	Thousands			
	1980		1979	
Shipyard work-in-progress		**$47,873**		$23,978
Progress payments and billings on uncompleted shipyard work	**$34,242**		$16,610	
Less: Progress payments and billings in excess of costs incurred on uncompleted contracts included in current liabilities	**1,530**	**32,712**	1,643	14,967
		15,161		9,011
Inventories of stores and supplies		**7,350**		5,586
		$22,511		$14,597

Note 3.
Subsidiary and Affiliates at Equity

	Subsidiary	*Affiliates*		
	The Investors Group	*Consolidated-Bathurst Inc.*	*Gesca Ltée*	*Total*
Voting shares	99.3%	39.8%	n/a	n/a
Equity interest	96.7%	39.8%	100%	n/a
		Thousands		
Carrying value:				
December 31, 1979	$238,032	$176,259	$15,936	$430,227
Additional investments	396	13,020(c)	777	14,193
Share of earnings	59,420(a)	45,405	1,214	106,039
Share of extraordinary items	8,814		36	8,850
Share of charges to retained earnings	(45,144)			(45,144)
Dividends received	(17,842)	(17,012)(c)		(34,854)
December 31, 1980	**$243,676**(b)	**$217,672**(d)	**$17,963**(e)	**$479,311**
Share of equity December 31, 1980	$227,391(b)	$177,473(d)	$10,179(e)	$415,043

a) Includes $44,745,000 share of earnings, before deduction of carrying charges, derived from The Great-West Life Assurance Company, a subsidiary of The Investors Group, whose financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada. (Reference is made to Note 1 to Financial Statements of The Great-West Life Assurance Company on page 34 for a description of significant accounting practices).

b) Includes 1,264,210 5% cumulative redeemable preferred shares, 1969 Series.

c) Includes $6,082,000 being the value of the extra dividend declared on December 19, 1980 payable by the issue of 260,641 Series B common shares.

d) Includes debentures of $990,000.

e) Includes advances of $1,112,000.

Note 4.
Long-Term Debt

	Thousands	
	1980	1979
Two-year revolving bank loans bearing interest at the prime rate, extendible yearly, and convertible into six-year term loans bearing interest at the prime rate plus ⅜%	**$ 22,500**	$ 15,000
Income debentures maturing June 30, 1981 to December 31, 1987 bearing interest at half prime rate plus 1⅛% to December 31, 1982 and from January 1, 1983 until maturity at half prime rate plus 1½% and secured by ship mortgages	**44,000**	50,000
Income debentures maturing June 30, 1981 to December 31, 1988 bearing interest at half prime rate plus 1⅛% to December 31, 1982 and 1½% from January 1, 1983 to December 31, 1988 and secured by certain investments	**98,700**	105,450
Income debentures maturing June 30, 1985 bearing interest at half prime rate plus 1¾% to March 31, 1982 and 2% from April 1, 1982 to June 30, 1985 and secured by certain investments	**52,500**	52,500
Obligations under capital leases	**4,609**	2,549
Other at various rates from 8% to 11⅞% maturing January 1, 1981 to June 1, 1991	**7,932**	9,865
	230,241	235,364
Deduct: Instalments due within one year	**16,940**	16,180
	$213,301	$219,184

Instalments due on long-term debt over the next five years are as follows: 1981—$16,940,000; 1982—$16,828,000; 1983—$20,337,000; 1984—$21,360,000; 1985—$74,130,000.

Power Corporation of Canada

Notes to Consolidated Financial Statements

December 31, 1980

Note 5.
Capital Stock

	Thousands	
	1980	1979
Non-participating preferred shares (i)		
First preferred shares without nominal or par value issuable in series		
Authorized—Unlimited number of shares		
Issued —364,385 shares $2.375 cumulative redeemable 1965 series (ii)	**$ 18,219**	$ 20,135
Participating preferred shares (i)		
15¢ participating preferred shares without nominal or par value		
Authorized—Unlimited number of shares		
Issued —2,780,674 shares	**$ 18,074**	$ 18,074
Common shares without nominal or par value (i)		
Authorized—Unlimited number of shares		
Issued —22,737,256 shares	**$159,865**	$159,865

(i) Effective June 13, 1980, the Corporation was continued under the Canada Business Corporations Act. The articles of continuance empowered the Corporation to remove the maximum number and to make unlimited the number of each class of shares of the Corporation that may be issued, to re-designate the 4¾% Cumulative Redeemable First Preferred Shares, 1965 Series as "$2.375 Cumulative Redeemable First Preferred Shares, 1965".

The attributes of the Participating Preferred shares have been amended by giving the holders thereof the right, upon the issuance by the Corporation of additional common shares in certain circumstances, to subscribe for an aggregate number of Participating Preferred shares equal to 12% of the number of common shares proposed to be issued for a consideration per share in money equal to the stated capital amount per share or average stated capital amount per share in respect of such additional common shares.

The attributes of the common shares have been amended by giving the holders of the common shares the right, upon the issuance by the Corporation of additional Participating Preferred shares in certain circumstances, to subscribe for an aggregate number of common shares equal to eight and one third times the number of Participating Preferred shares proposed to be issued for a consideration per share in money equal to the stated capital amount per share or average stated capital amount per share in respect of such additional Participating Preferred shares.

(ii) redeemable at $50.50 plus accrued and unpaid dividends. During the year 38,308 shares were redeemed and cancelled. The Corporation, through a sinking fund, is committed to retire 26,500 such shares in each twelve-month period from May 1 to April 30.

Note 6.
Extraordinary Items

	Thousands	
	1980	1979
Write down of investments, net of income taxes	**$ (1,024)**	$ (750)
Gain on sale of assets, net of income taxes	**9,000**	1,409
Corporation's share of extraordinary items of unconsolidated subsidiary and affiliates	**8,850**	9,950
Deferred income realized		1,330
	$16,826	$11,939

Note 7.
Commitments

a. Lease Commitments

The Corporation and its wholly-owned subsidiaries charter vessels, and lease terminals, trucks and buses under long-term agreements. All agreements entered into by the corporations prior to January 1, 1979 are accounted for as operating leases. All agreements entered into by the corporations after December 31, 1978 are accounted for as capital leases or operating leases as appropriate. If those agreements, entered into by the corporations prior to January 1, 1979 and which would have qualified as capital leases, were accounted for as capital leases, the following increase (decrease) in the amounts reflected in the Corporation's financial statements would take place:

	Thousands	
	1980	1979
Fixed assets—net book value	**$30,673**	$36,590
Lease obligations—current	**6,705**	5,565
—non current	**32,147**	39,030
Net earnings	**(58)**	(711)
Net earnings per share	**(0.2)¢**	(2.8)¢

Future minimum lease payments under capital leases, and operating leases that have initial or remaining terms of one year or more, consisted of the following amounts at December 31, 1980:

	Thousands		
	Capital Leases		
	Prior to January 1, 1979	After December 31, 1978	Operating Leases
1981	$ 9,931	$ 1,087	$ 1,069
1982	9,249	1,087	837
1983	8,531	1,010	681
1984	6,177	1,346	639
1985	5,026	497	507
thereafter	12,108	798	1,180
	51,022	5,825	$ 4,913
Less: imputed interest	12,170	1,216	
Present value of net minimum lease payments	$38,852	$ 4,609	

Fixed assets include assets recorded under capital leases as follows: cost $5,356,000 (1979-$2,658,000) and net book value $3,957,000 (1979-$2,481,000).

b. Pensions

Based on the latest actuarial valuations, the unfunded liabilities of the pension funds of the Corporation and its wholly-owned subsidiaries were estimated to be $3,000,000 at December 31, 1980 and are being amortized over periods of up to 13 years.

Note 8.
Related Party Transactions

The Corporation and its subsidiaries and affiliates have transactions with each other in the normal course of business at competitive prices but such transactions are not significant to the Corporation or its subsidiaries and affiliates.

c. Capital Expenditures

The Corporation and its wholly-owned subsidiaries are committed to capital expenditures of $44,600,000.

Power Corporation of Canada
Notes to Consolidated Financial Statements
December 31, 1980

Note 9.
Segmented Information

The directors have determined by resolution that the Corporation operates as an Investment Holding and Transportation corporation. The segmented financial information is as follows:

	Thousands		
	Investment Holding Segment	Transportation Segment	Total
Total assets	$548,334	$259,202	$807,536
Capital expenditures	$ 35,692	$ 36,326	$ 72,018
Gross revenue from operations	n/a	$384,281	$384,281
Gross earnings before provision for depreciation	$117,155	$ 35,901	$153,056
Provision for depreciation	n/a	(17,189)	(17,189)
Gross earnings	$117,155	$ 18,712	135,867
Interest on long-term debt			(21,655)
Provision for income taxes			(10,046)
Earnings before extraordinary items			$104,166

Note 10.
Remuneration of Directors and Officers

The aggregate direct remuneration paid in 1980 by the Corporation and its subsidiaries to the directors and officers of the Corporation was $1,759,000.

Auditors' Report

The Shareholders,
Power Corporation of Canada

We have examined the consolidated balance sheet of Power Corporation of Canada as at December 31, 1980 and the statements of consolidated earnings, retained earnings, and changes in financial position for the year then ended. For Power Corporation of Canada and those corporations of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the corporations accounted for by the equity method, of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept the reports of the other auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montréal, Québec, March 26, 1981

The Investors Group

Consolidated Statement of Income

For the year ended December 31

INCOME	1980	1979
Investment income	$ 79,171,797	$ 69,465,612
Service fees	1,788,798	2,327,503
Management and distribution fees	18,550,582	15,452,538
Trust investment and fee income	5,548,923	2,797,654
Share of earnings of unconsolidated subsidiaries		
The Great-West Life Assurance Company *(note 4)*	46,320,161	38,686,694
Montreal Trust Company *(note 4)*	4,326,157	3,017,462
	155,706,418	131,747,463
EXPENSES		
Interest on certificate liabilities	27,851,915	26,056,249
Additional credits to certificates	22,284,960	17,201,980
Certificate and service fee costs	15,087,627	13,061,180
Management and distribution operating costs	15,226,135	12,838,413
Trust interest and operating costs	4,482,355	1,949,949
Interest on debentures	3,879,330	3,948,106
Provision for income taxes	1,844,428	1,895,143
	90,656,750	76,951,020
Net operating income	65,049,668	54,796,443
Extraordinary items *(note 8)*	9,113,380	8,076,252
Net income	$ 74,163,048	$ 62,872,695
Earnings per share after deducting dividends on preferred stock		
—Net operating income	$ 4.62	$ 3.83
—Net income	$ 5.33	$ 4.45

Consolidated Statement of Retained Earnings

For the year ended December 31

	1980	1979
Balance at beginning of the year	$143,110,576	$119,939,090
Add (Deduct):		
Net income for the year	74,163,048	62,872,695
Company's share of charges against retained earnings by The Great-West Life Assurance Company	(46,686,214)	(22,840,499)
Dividends—Preferred shares	(5,208,941)	(5,211,223)
—Common shares	(18,125,794)	(11,649,487)
Balance at end of the year	$147,252,675	$143,110,576

The Investors Group
Consolidated Balance Sheet
As at December 31

ASSETS	1980	1979
CASH AND INVESTMENTS		
Cash and temporary investments	$ 52,298,252	$ 45,657,992
Marketable securities—at cost and accrued income *(note 3)*	268,478,070	230,880,347
First mortgages on real estate—at cost and accrued interest receivable	541,231,670	490,165,075
Real estate—at cost less accumulated depreciation $1,254,957 (1979—$1,128,517)	6,345,615	6,764,927
Loans to certificate holders—not exceeding cash surrender values	36,843,445	33,802,068
	905,197,052	807,270,409
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES		
The Great-West Life Assurance Company *(note 4)*	221,569,437	228,966,193
Montreal Trust Company *(note 4)*	40,513,356	36,888,785
OFFICE PREMISES—at cost less accumulated depreciation $3,569,687 (1979—$3,276,810)	5,224,065	4,789,647
ACCOUNTS AND NOTES RECEIVABLE	3,435,877	2,680,599
INCOME TAXES RECOVERABLE	299,386	1,231,323
DEFERRED ACQUISITION COSTS	9,879,750	7,117,497
OTHER ASSETS	1,274,630	1,497,035
EXCESS OF COST OF SHARES OF CONSOLIDATED SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS AT DATE OF ACQUISITION *(note 8)*		734,084
	$1,187,393,553	$1,091,175,572

Approved by the Board of Directors

Peter D. Curry — Director

R. Jones — Director

LIABILITIES AND SHAREHOLDERS' EQUITY	1980	1979
CERTIFICATE AND CURRENT LIABILITIES		
Certificate liabilities	$ 760,558,593	$ 704,695,804
Provision for additional certificate credits	8,409,988	9,522,427
Guaranteed trust accounts *(note 2)*	36,685,372	7,111,690
Bank loan	4,844,000	
Tax deposits on mortgages	15,665,319	15,435,663
Dividends payable	4,933,534	3,638,277
Other liabilities	8,689,945	7,994,289
	839,786,751	748,398,150
INCOME DEFERRED TO FUTURE YEARS	2,264,828	2,316,772
DEFERRED INCOME TAXES	11,696,058	10,156,833
9⅞% DEBENTURES, 1978 SERIES *(note 6)*	39,000,000	39,800,000
SHAREHOLDERS' EQUITY		
Capital stock *(note 7)*—Preferred	92,178,800	92,178,800
—Common	8,437,143	8,437,143
	100,615,943	100,615,943
Contributed surplus arising from premium on capital stock	46,777,298	46,777,298
Retained earnings	147,252,675	143,110,576
	294,645,916	290,503,817
	$1,187,393,553	$1,091,175,572

The Investors Group

Consolidated Statement of Changes in Financial Position

For the year ended December 31

	1980	1979
SOURCE OF FUNDS		
From Operations		
Net operating income	**$ 65,049,668**	$ 54,796,443
Less share of earnings retained by unconsolidated subsidiaries	**33,888,138**	29,680,211
	31,161,530	25,116,232
Add (deduct) net non-cash charges (credits) to operations including deferred income taxes of $1,539,225 (1979—$466,707)	**(293,323)**	678,912
	30,868,207	25,795,144
Interest and additional credits to certificates	**50,136,875**	43,258,229
Interest on guaranteed trust accounts	**2,709,605**	677,182
Certificate sales and collections	**137,198,758**	119,991,430
Guaranteed trust receipts	**26,864,077**	117,321
Proceeds from security transactions	**26,175,842**	51,230,311
Mortgage principal collections and sales	**29,387,497**	33,535,797
Increase in bank loans	**4,844,000**	(217,000)
	308,184,861	274,388,414
USE OF FUNDS		
Certificate maturities and surrenders	**132,325,062**	98,731,038
Increase in loans to certificate holders	**2,808,773**	11,119,089
Investment in marketable securities	**61,478,803**	54,792,543
Investment in first mortgages	**79,474,839**	82,880,756
Net additions in real estate and fixed assets	**786,461**	1,468,467
Reduction in long-term debt	**800,000**	200,000
Miscellaneous	**1,655,325**	(2,090,603)
Dividends paid	**22,039,478**	15,243,942
Investment in The Great-West Life Assurance Company	**175,860**	189,010
	301,544,601	262,534,242
INCREASE IN CASH AND TEMPORARY INVESTMENTS	**$ 6,640,260**	$ 11,854,172

Notes to Consolidated Financial Statements
December 31, 1980

Note 1.
Statement of Accounting Policies

A description of those accounting policies which are considered important to an understanding of the accompanying financial statements is set out below.

Principles of Consolidation
The consolidated financial statements include the accounts of all subsidiary companies except The Great-West Life Assurance Company and Montreal Trust Company. The assets and liabilities of these two companies are not consolidated in the balance sheet as they operate within regulated industries and it is not considered appropriate to consolidate in the circumstances. Financial statements of The Great-West Life Assurance Company and condensed financial statements of Montreal Trust Company are presented on pages 31 to 37.

All inter-company accounts and transactions have been eliminated in consolidation. The equity method of accounting has been used for the two non-consolidated subsidiaries.

Marketable Securities
It is a statutory requirement of the investment contract industry to amortize any differences between the original cost of bonds and debentures and their par value over the period to maturity in such a manner as to equalize the yield to maturity. The bonds and debentures included in this category are carried at amortized cost and all other securities are carried at original cost.

Office Premises
The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated life. Furnishings, once they have been fully depreciated, are eliminated from the accounts.

Certificate Liabilities
Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by installment certificate holders is added to certificate liabilities and the balance to service fee income. The portion of the certificate payments added to certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

Service Fee Income and Selling Expenses
On installment investment certificates, service fees received during the first year may exceed or be less than the aggregate of commissions paid to sales representatives and selling costs incurred. To achieve a better matching of income and expense, the differential is amortized over the first 60 months that installment certificates are in force.

On single payment certificates, first year commissions paid to sales representatives are amortized over the first 60 months that they are in force with all other selling expenses being charged against income in the year of sale. A special commission which is payable on the tenth anniversary of the certificates is being provided for by an annual charge against income.

Additional Credits
In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts when declared. Full provision has been made for all additional credits, both earned and accrued.

Income Taxes
The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowances, mortgage reserves and certificate selling costs.

Note 2.
Assets Held for Guaranteed Trust Accounts

Included in the consolidated balance sheet are assets of the guaranteed trust accounts of Investors Group Trust Co. Ltd.:

	1980	1979
Cash and temporary investments	**$ 5,685,654**	$1,424,740
Marketable securities	**12,519,766**	775,260
First mortgages	**18,479,952**	4,911,690
	$36,685,372	$7,111,690

Prior to 1980 the guaranteed trust accounts were not included in the consolidated financial statements. The 1979 figures have been restated to reflect the inclusion of these accounts.

The Investors Group

Notes to Consolidated Financial Statements

December 31, 1980

Note 3.
Marketable Securities and Accrued Income

	1980		1979	
	Cost	*Market*	*Cost*	*Market*
Canadian government and corporate bonds and obligations	**$ 96,981,399**	**$ 84,255,445**	$ 75,201,769	$ 64,124,202
Canadian preferred stocks	**120,632,707**	**99,441,198**	113,020,341	103,540,639
Canadian common stocks	**46,073,531**	**47,857,412**	37,542,417	43,494,280
Aircraft certificates*	**4,790,433**	**4,790,433**	5,115,820	5,115,820
	$268,478,070	**$236,344,488**	$230,880,347	$216,274,941

*Aircraft certificates represent part ownership of two aircraft leased to a major Canadian airline after deducting a liability of 11% serial debentures. The debentures amount to $2,188,000, mature in 1991 and are secured by a mortgage on one aircraft and the related lease payments.

Note 4.
Investment in Unconsolidated Subsidiaries

	The Great-West Life Assurance Company	*Montreal Trust Company*
Voting and equity interest	95.8%	50.2%
Carrying value of investment, December 31, 1979	$228,966,193	$36,888,785
Add (Deduct):		
Cost of shares acquired during the year	175,860	
Share of net operating income	46,320,161	4,326,157
Share of extraordinary items	8,120,949	729,082
Share of net charges against retained earnings of subsidiary	(46,686,214)	
Dividends received	(15,327,512)	(1,430,668)
Carrying value of investment, December 31, 1980	**$221,569,437**	**$40,513,356**
Share of equity, December 31, 1980	$235,772,711	$32,212,443

Note 5.
Certificate Liabilities

As security for investment certificates issued by a subsidiary, assets which qualify as investments under the Canadian and British Insurance Companies Act having a value in excess of net certificate liabilities must be lodged by the subsidiary with an approved depository. As at December 31, 1980 the aggregate excess was $60,256,000.

Note 6.
9⅞% Debentures, 1978 Series

The Debentures are due October 4, 1998 with a sinking fund requirement of $1,500,000 per annum to commence October 4, 1984. Under certain circumstances the Company is required to purchase for cancellation up to $800,000 of debentures per annum, commencing October 4, 1979 for four years; the Company purchased for cancellation $800,000 of debentures in 1980. Interest on the debentures for 1980 was $3,879,330 (1979—$3,948,106).

Note 7.
Capital Stock

Authorized

1,287,152—5% cumulative redeemable preferred shares, 1969 Series—entitled to $1.25 annual cumulative dividend; redeemable at $25 per share.

2,400,000—cumulative redeemable preferred shares, 1978 Series—entitled to an annual cumulative dividend of $1.50 to September 1, 1985 and thereafter at a floating rate equal to ½ of the prime rate plus 1¼%; redeemable on and after September 1, 1983 at $26 per share to August 31, 1988, decreasing to $25¼ per share during the period to August 31, 1991 and at $25 per share thereafter.

20,000,000—voting common shares.

20,622,022—non-voting common Class A shares.

Under the terms of the preferred shares, 1978 Series, the Company is required to purchase 168,000 shares at $25 per share on September 1 in each of the years 1984 to 1993 inclusive. The holders of the shares outstanding on September 1, 1993 have the right to have the Company redeem them on that date; otherwise 20% of the shares then outstanding will be purchased by the Company on September 1 in each of the years 1994 to 1998.

Issued and outstanding

	Shares	*Amount*
Preferred shares, 1969 Series	**1,287,152**	**$32,178,800**
Preferred shares, 1978 Series	**2,400,000**	**60,000,000**
	3,687,152	**$92,178,800**
Common shares	**6,842,105**	**$ 342,105**
Common Class A shares	**6,104,461**	**305,223**
Surplus arising from conversion of preferred shares		**7,789,815**
	12,946,566	**$ 8,437,143**

Note 8.
Extraordinary Items

	1980	1979
Details of these amounts are as follows:		
Net profit on investments net of income taxes	**$ 997,433**	$1,223,475
Cost of shares of subsidiaries in excess of book value written off upon amalgamation or winding up	**(734,084)**	
Share of extraordinary items		
The Great-West Life Assurance Company	**8,120,949**	6,692,836
Montreal Trust Company	**729,082**	159,941
	$9,113,380	$8,076,252

Note 9.
Related Party Transactions

Transactions with related companies comprise the following:

a) The provision of life and health insurance by The Great-West Life Assurance Company and transfer agent and depository services by Montreal Trust Company, to the Company and its wholly-owned subsidiaries.

b) The provision of investment management services by wholly-owned subsidiaries to nine related mutual funds.

In all cases, such services are made in the normal course of business and at competitive rates.

The Investors Group
Notes to Consolidated Financial Statements
December 31, 1980

Note 10.
Other

a) Investors Mortgage Fund, a mutual fund managed by a subsidiary, invests in first mortgages on improved real estate in Canada. It is anticipated that there will always be ample cash and marketable securities in the Fund available to meet future withdrawals. However, should the withdrawals exceed available cash and marketable securities, The Investors Group has guaranteed to find a purchaser for (or failing to do so, purchase itself) sufficient mortgages at prices not less than 95% of the then prevailing market value thereof, to realize sufficient monies to enable the Trustee to meet all such withdrawals.

As at December 31, 1980 total assets of Investors Mortgage Fund were $338,409,000 comprising $38,525,000 cash and other liquid assets and $299,884,000 in mortgages.

b) Included as charges against net income are the following:

	1980	1979
Depreciation and amortization.	**$771,355**	$711,058
Remuneration of directors and senior officers.	**632,641**	526,523

During 1977 the Board of Directors approved an executive incentive plan under which awards may become payable to officers of the Company, at the close of the five year period ending December 31, 1981. Payments of awards and the amount thereof are contingent on the attainment by the Company of certain earnings levels during the five year period. A provision of $34,540 has been made in 1980 for this contingency.

c) Aggregate remuneration paid by the Company's unconsolidated subsidiaries to directors of the Company for services as directors or senior officers of the unconsolidated subsidiaries including the cost of pension benefits amounted to $350,234 (1979—$358,764).

d) Certain of the 1979 figures have been restated to reflect the current year's presentation.

Auditors' Report
To the Shareholders of The Investors Group

We have examined the consolidated balance sheet of The Investors Group as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For The Investors Group and the consolidated subsidiary companies, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the unconsolidated subsidiary companies referred to in Note 4 of the financial statements and accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, which insofar as it relates to the amounts included for companies not examined by us is based solely on the reports of other auditors, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles (except that, insofar as the net income of The Great-West Life Assurance Company is concerned, the accounting practices employed are those prescribed or permitted by the Department of Insurance of Canada) applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba, February 10, 1981

Deloitte, Haskins & Sells
Chartered Accountants

The Great-West Life Assurance Company

Summary of Operations

For the year ended December 31, 1980

	1980	1979
INCOME		
Life insurance and annuity premiums	$ 843,634,743	$ 818,032,476
Accident and health premiums	475,499,792	415,678,777
Net investment income	429,879,732	345,282,735
Net realized and unrealized capital gains on assets of segregated investment funds	(2,774,957)	(5,135,088)
	1,746,239,310	1,573,858,900
BENEFITS AND EXPENSES		
Life and annuity benefits	491,057,723	368,078,495
Accident and health benefits	414,673,430	366,483,809
Interest on funds on deposit	22,240,556	17,080,068
Increase in policy reserves *(note 1g)*	491,865,032	547,876,732
Dividends to policyholders	55,542,189	45,528,228
Total paid or credited to policyholders	1,475,378,930	1,345,047,332
Commissions	50,076,149	43,160,538
Operating expenses	113,794,357	96,494,642
Premium taxes	17,651,444	15,492,919
	1,656,900,880	1,500,195,431
Net operating income before income taxes	89,338,430	73,663,469
Income taxes *(note 1e)*	12,865,000	12,100,000
Net income from operations	76,473,430	61,563,469
Extraordinary items		
Realized gains/losses on sales of assets *(note 2)*	33,470,740	9,450,340
Prior years' income tax adjustment	5,545,933	(5,700,000)
Prior years' policy reserve adjustment	(10,072,441)	(150,060)
Share of earnings of subsidiaries *(note 1f)*	(4,767,664)	2,334,393
Net income	$ 100,649,998	$ 67,498,142
SUMMARY OF NET INCOME *(note 1h)*		
ATTRIBUTABLE TO PARTICIPATING POLICYHOLDERS		
Net income before policyholder dividends	$ 83,664,949	$ 66,683,101
Policyholder dividends	55,542,189	45,528,228
Net income from operations	28,122,760	21,154,873
Extraordinary items	15,699,027	(1,056,065)
Net income—participating policyholders	$ 43,821,787	$ 20,098,808
ATTRIBUTABLE TO SHAREHOLDERS		
Net income from operations	$ 48,350,670	$ 40,408,596
Extraordinary items	8,477,541	6,990,738
Net income—shareholders	$ 56,828,211	$ 47,399,334
Earnings per share		
From operations	$ 24.17	$ 20.20
Including extraordinary items	$ 28.41	$ 23.69

The Great-West Life Assurance Company

Balance Sheet

As at December 31

ASSETS	1980	1979
BONDS *(note 1a)*	**$1,288,342,714**	$1,117,018,273
STOCKS *(note 1b)*	**290,124,805**	254,960,657
MORTGAGES AND SALE AGREEMENTS *(note 1a)*	**2,042,860,069**	1,696,354,326
REAL ESTATE *(note 1c)*	**342,546,030**	315,539,128
LOANS TO POLICYHOLDERS	**250,276,948**	218,192,583
CASH AND CERTIFICATES OF DEPOSIT	**26,051,180**	80,439,709
PREMIUMS IN COURSE OF COLLECTION	**75,351,745**	70,493,634
INTEREST DUE AND ACCRUED	**56,003,186**	46,229,999
SEGREGATED INVESTMENT FUNDS *(note 1d)*	**652,640,440**	463,710,674
OTHER ASSETS	**64,566,013**	133,208,530
	$5,088,763,130	$4,396,147,513

Approved by the Board of Directors

James W Burns — Director

K P Kavanagh — Director

LIABILITIES	1980	1979
POLICY BENEFIT LIABILITIES		
Policy reserves *(note 1g)*	**$3,118,348,314**	$2,805,388,244
Segregated investment funds	**652,640,440**	463,710,674
Provision for claims	**267,298,098**	236,029,112
Provision for 1981 policyholders' dividends	**55,026,000**	44,213,000
Provision for experience rating refunds	**40,843,000**	40,156,000
	4,134,155,852	3,589,497,030
POLICYHOLDERS' FUNDS	**226,988,248**	206,401,525
OTHER LIABILITIES	**129,889,367**	87,169,294
	4,491,033,467	3,883,067,849
SPECIAL RESERVES APPROPRIATED FROM SURPLUS *(note 3)*	**172,823,128**	139,361,039
CAPITAL STOCK		
Authorized, issued and fully paid— 2,000,000 common shares of $1 par value	**2,000,000**	2,000,000
UNAPPROPRIATED SURPLUS		
Participating policyholders	**178,851,042**	119,758,241
Shareholders	**244,055,493**	251,960,384
	422,906,535	371,718,625
	$5,088,763,130	$4,396,147,513

The Great-West Life Assurance Company

Statement of Unappropriated Surplus

For the year ended December 31, 1980

	Participating Policyholders	*Shareholders*	*Total*
Balance January 1	**$119,758,241**	**$251,960,384**	**$371,718,625**
Add:			
Total net income for year from summary of operations	**43,821,787**	**56,828,211**	**100,649,998**
Deduct:			
Dividends to shareholders		**16,000,000**	**16,000,000**
Changes in special reserves appropriated from surplus			
Investment valuation and currency reserve—net	**1,935,162**	**32,976,832**	**34,911,994**
Reserve for cash value deficiencies and amounts of negative reserves	**(19,353,851)**	**8,256,933**	**(11,096,918)**
Reserve for miscellaneous assets	**2,147,675**	**7,499,337**	**9,647,012**
Balance December 31	**$178,851,042**	**$244,055,493**	**$422,906,535**

Notes to Financial Statements

December 31, 1980

Note 1.
Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders.

a. Investments in bonds, debentures and mortgages (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold.

b. Investments in stocks (equity securities) in the life account are carried at cost less an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, 1980 amounted to $75,839,370. Equity investments in respect of the accident and health business are carried at cost.

c. Real estate held for investment is carried at cost of $532,157,507 less accumulated depreciation of $37,814,963 and mortgage liabilities of $151,796,514.

d. Investments held for segregated investment funds are carried at market value.

e. Income taxes are calculated using the deferred-tax method. The balance of deferred income taxes included in other liabilities at December 31, 1980 was $25,871,638.

f. Income from subsidiaries is included in these statements under the equity method of accounting.

g. Policy reserves represent the amount required, together with future premiums and investment income, to provide for future benefits, administrative expenses and taxes on insurance and annuity policies. Policy reserves are calculated using assumptions appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was $82,656,105 at December 31, 1980.

h. Net income includes earnings of the participating, non-participating and health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2½%, as restricted by law, of the distributions from the participating account.

Note 2.

Realized gains (losses) on sales of assets shown as an extraordinary item in net income include the results of:

(i) all disposals of assets of the accident and health account;
(ii) disposals of real estate in the life account; and
(iii) gains due to foreign exchange transactions.

Note 3.

The special reserves appropriated from surplus are a requirement of the Department of Insurance of Canada.

At December 31, the components were as follows:

	1980	1979
Participating account		
Investment valuation and currency reserve—net	**$ 9,553,429**	$ 7,618,267
Reserve for cash value deficiencies and amounts of negative reserves	**18,645,772**	37,999,623
Reserve for miscellaneous assets	**13,053,743**	10,906,068
	$ 41,252,944	$ 56,523,958
Non-participating and health accounts		
Investment valuation and currency reserve—net	**$ 54,873,293**	$ 21,896,461
Reserve for cash value deficiencies and amounts of negative reserves	**40,543,959**	32,287,026
Reserve for miscellaneous assets	**36,152,932**	28,653,594
	$131,570,184	$ 82,837,081

Note 4.

Transactions in United States currency are recorded dollar for dollar with Canadian.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the rate of exchange prevailing at December 31, 1980 would have produced an increase in net assets of approximately $37,272,000. In accordance with reporting requirements, this amount is reflected in the balance sheet by a reduction in the investment valuation reserve shown in note 3 and an increase in unappropriated surplus.

Note 5.

Transactions with related companies consist mainly of the provision of insurance benefits to other companies within the Power Corporation of Canada group of companies. In all cases, such transactions are made in the normal course of business and at competitive prices.

The Great-West Life Assurance Company

Valuation Actuary's Certificate

To the Policyholders, Shareholders
and Directors of
The Great-West Life Assurance Company

I have made the valuation of the policy benefit liabilities of The Great-West Life Assurance Company for its balance sheet at 31 December, 1980 and its summary of operations for the year then ended. In my opinion: i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries; ii) the amount of the policy benefit liabilities makes proper provision for the future payments under the Company's policies; iii) a proper charge on account of those liabilities has been made in the summary of operations; and iv) the amount of surplus appropriation for policies whose cash value exceeds the policy benefit liability is proper.

J.O. Parsonage, F.S.A., F.C.I.A., M.A.A.A.
Senior Vice-President,
Corporate Finance and Control

January 27, 1981

Auditors' Report

To the Policyholders, Shareholders
and Directors of
The Great-West Life Assurance Company

We have examined the balance sheet of The Great-West Life Assurance Company as at December 31, 1980 and the related summary of 1980 operations and the statement of unappropriated surplus for the year 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations for the year then ended in accordance with the accounting practices described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

Winnipeg, Manitoba, January 28, 1981

Montreal Trust Company
Condensed Financial Statements

CONDENSED INCOME STATEMENT	1980	1979
Interest from mortgages	$ 95,411,000	$ 80,748,000
Fees and commissions	40,504,000	33,423,000
Real estate commissions	28,927,000	24,775,000
Other interest, dividends and other income	47,412,000	32,779,000
	212,254,000	171,725,000
Interest paid	119,127,000	96,165,000
Operating and other expenses	81,215,000	68,495,000
Income taxes	3,298,000	1,074,000
	203,640,000	165,734,000
Net operating income	$ 8,614,000	$ 5,991,000
Earnings per share	$ 3.33	$ 2.32
Dividends per share	$ 1.10	$ 1.00
Investors' share of earnings*	$ 4,326,000	$ 3,017,000
Book value of Investors' investment in Montreal Trust—year-end	$ 40,513,000	$ 36,889,000

*excludes share of extraordinary items of $729,000 in 1980 and $160,000 in 1979.

CONDENSED BALANCE SHEET	1980	1979
Cash, bank deposits, treasury bills and secured loans	$ 165,276,000	$ 165,312,000
Securities	168,703,000	175,409,000
Mortgages and other investments	937,573,000	836,878,000
Premises and equipment	17,122,000	14,966,000
Other assets	13,613,000	13,231,000
Total Assets	$1,302,287,000	$1,205,796,000
Guaranteed Trust Accounts		
Deposits	$ 393,124,000	$ 313,991,000
Investment certificates	819,581,000	814,068,000
	1,212,705,000	1,128,059,000
Other liabilities	25,446,000	20,923,000
Shareholders' equity	64,136,000	56,814,000
Total Liabilities	$1,302,287,000	$1,205,796,000

Consolidated-Bathurst Inc.
Condensed Financial Statements

CONDENSED INCOME STATEMENT	**1980**	1979
Net sales	**$1,389,433,000**	$1,244,312,000
Other income	**14,324,000**	10,374,000
	1,403,757,000	1,254,686,000
Cost of goods sold, including depreciation	**1,086,574,000**	994,993,000
Administrative and selling expenses	**86,370,000**	76,211,000
Interest and provision for exchange charges	**29,886,000**	28,023,000
Income taxes	**78,412,000**	57,058,000
Minority interest	**136,000**	142,000
	1,281,378,000	1,156,427,000
Earnings before extraordinary items	**$ 122,379,000**	$ 98,259,000
Earnings per common share	**$ 5.42**	$ 4.27
Dividends declared per common share	**$ 2.00**	$ 1.00
Power Corporation's share of earnings*	**$ 45,405,000**	$ 35,501,000
Book value of Power's investment in Consolidated-Bathurst—year-end	**$ 216,682,000**	$ 175,269,000

*excludes share of extraordinary items of $1,663,000 in 1979.

CONDENSED BALANCE SHEET	**1980**	1979
Current assets	**$ 492,291,000**	$ 476,390,000
Property and plant—net	**523,388,000**	435,085,000
Investments and other assets	**120,879,000**	80,379,000
Total Assets	**$1,136,558,000**	$ 991,854,000
Current liabilities	**$ 231,545,000**	$ 186,757,000
Long-term debt	**216,776,000**	231,950,000
Deferred income taxes and provisions	**197,895,000**	166,462,000
Minority interest and preferred equity	**46,917,000**	48,144,000
Common shareholders' equity	**443,425,000**	358,541,000
Total Liabilities	**$1,136,558,000**	$ 991,854,000

Power Corporation of Canada

Registered Office	759 Victoria Square, Montréal, Québec H2Y 2K4
Transfer Agent and Registrar	Montreal Trust Company, Montréal, Toronto, Calgary, Vancouver
Stock Listings	
Common Shares	Montreal, Toronto and Vancouver Stock Exchanges
Participating Preferred Shares	Montreal Stock Exchange
First Preferred Shares	Montreal and Toronto Stock Exchanges

Si vous préférez recevoir le rapport de Power Corporation en français, veuillez vous adresser au Secrétaire, Power Corporation du Canada, 759, Square Victoria, Montréal (Québec) H2Y 2K4.

Principal Subsidiary and Affiliated Companies

Canada Steamship Lines Inc.
Montréal, Québec

Voyageur Enterprises Limited
Montréal, Québec

Kingsway Transports Limited
Dorval, Québec

Canadian Shipbuilding & Engineering Limited
Collingwood, Ontario

The Investors Group
Winnipeg, Manitoba

The Great-West Life Assurance Company
Winnipeg, Manitoba

Montreal Trust Company
Montréal, Québec

Consolidated-Bathurst Inc.
Montréal, Québec

Power Corporation of Canada

Board of Directors

**Wilbrod Bherer, C.M., Q.C.	*President, Tele-Capital Ltd.*
*James W. Burns	*President of the Corporation*
*Peter D. Curry	*Deputy Chairman of the Corporation*
*Paul Desmarais, O.C.	*Chairman and Chief Executive Officer of the Corporation*
Gérard Eskenazi	*Managing Director, Compagnie Financière de Paris et des Pays-Bas*
**William M. Fuller	*Partner, Wm. & A.P. Fuller*
Pierre Genest, Q.C.	*Partner, Cassels, Brock*
Jean-Paul Gignac, O.C.	*President and Chief Executive Officer, Iron & Steel Company of Trinidad & Tobago Limited*
*Roland Giroux, C.C.	*Company Director*
Pierre Haas	*Chairman, Paribas International*
Robert H. Jones	*President and Chief Executive Officer, The Investors Group*
(FRANK) *Arthur F. Knowles, C.A.	*Senior Vice-President of the Corporation*
Paul E. Martin	*President and Chief Executive Officer, The CSL Group Inc.*
*W. Earle McLaughlin	*Company Director*
Paul Britton Paine, Q.C.	*Chairman of the Board and President, Montreal Trust Company*
John G. Porteous, Q.C.	*Partner, Ogilvy, Renault*
Claude Pratte, Q.C.	*Partner, Létourneau & Stein*
**The Hon. John P. Robarts, P.C., C.C., Q.C.	*Partner, Stikeman, Elliott, Robarts & Bowman*
*Robert C. Scrivener	*Company Director*
William E. Simon	*Chairman, Crescent Diversified Ltd.*
Peter N. Thomson	*Chairman, TIW Industries Ltd.*
*William I.M. Turner, Jr.	*President and Chief Executive Officer, Consolidated-Bathurst Inc.*

*Members of the Executive Committee
**Members of the Audit Committee

Officers

Paul Desmarais, O.C.	*Chairman and Chief Executive Officer*
Peter D. Curry	*Deputy Chairman*
James W. Burns	*President*
Arthur F. Knowles, C.A.	*Senior Vice-President*
Claude Bruneau	*Vice-President, Secretary and General Counsel*
Paul E. Martin	*Vice-President*
John A. Rae	*Vice-President*
Frederick D. Sneider	*Vice-President*
André Gervais, C.G.A.	*Controller*
Paul Morimanno, C.A.	*Treasurer*
Pierre Préfontaine	*Assistant Secretary*

Power Corporation of Canada—a company with substantial interests in transportation, shipbuilding, financial services, pulp and paper, packaging and newspapers—is actively involved with the commercial and industrial life of North America and has interests, through subsidiaries and affiliates, elsewhere in the world.

While Power Corporation's ultimate responsibility to its shareholders is to provide a fair return on their investment, a primary objective is to select and develop management in each operating unit with the skills and expertise capable of building and maintaining well-managed companies within the free enterprise system.

The Company operates on a decentralized basis, with the chief executive officer of each subsidiary and affiliated company responsible to its own board of directors for the progressive and profitable management of the company.

Power Corporation monitors the performance of each of the companies, analyzes financial results and participates, through its board representatives, in major management decisions.

POWER CORPORATION OF CANADA

ANNUAL REPORT 1980

Power Corporation of Canada

File

Interim Report
June 30th, 1980

Power Corporation of Canada

Statement of Consolidated Earnings

[Unaudited]

(Thousands)

	Three months ended June 30		Six months ended June 30	
	1980	1979	1980	1979
Gross revenue from operations	**$109,497**	$ 81,416	**$155,719**	$115,344
Earnings from operations	**$ 14,641**	$ 8,466	**$ 14,263**	$ 6,986
Share of earnings of subsidiary and affiliated companies	**25,672**	23,364	**49,516**	38,755
Income from investments	**3,413**	2,640	**6,562**	5,161
	43,726	34,470	**70,341**	50,902
Interest on long-term debt	**5,749**	4,738	**11,212**	9,495
Provision for depreciation	**4,568**	3,846	**6,027**	5,059
Provision for income taxes	**5,443**	2,021	**5,498**	1,336
	15,760	10,605	**22,737**	15,890
Earnings before extraordinary items	**27,966**	23,865	**47,604**	35,012
Extraordinary items	**(1,620)**	3,006	**7,255**	4,217
Net earnings	**$ 26,346**	$ 26,871	**$ 54,859**	$ 39,229
Earnings per 15¢ participating preferred and common share				
Before extraordinary items	**$1.09**	$0.93	**$1.85**	$1.35
After extraordinary items	**$1.02**	$1.04	**$2.13**	$1.52

Power Corporation of Canada

Statement of Changes in Consolidated Financial Position

[Unaudited]

	(Thousands) Six months ended June 30	
	1980	1979
Source of Funds		
From operations		
Earnings before extraordinary items	$ 47,604	$ 35,012
Non cash charges (credits)		
Provision for depreciation	6,027	5,059
Deferred income taxes	(560)	1,006
Earnings not received in cash	(35,820)	(31,216)
	17,251	9,861
Disposal of fixed assets	2,049	2,819
Disposal of investments	963	21,697
Gain on disposal of short-term investments	8,319	—
Issue of long-term debt	5,661	—
Miscellaneous	859	(1,775)
	35,102	32,602
Use of Funds		
Additions to fixed assets	13,883	2,014
Purchase of investments	21,617	12,674
Reduction of long-term debt	8,680	9,422
Redemption of preferred shares series A	—	229
Acquisition of first preferred shares for cancellation	902	866
Dividends – non-participating preferred shares	458	496
participating preferred shares	1,390	834
common shares	11,369	6,821
	58,299	33,356
Decrease in Working Capital	$ 23,197	$ 754

To the Shareholders

The consolidated earnings before extraordinary items of Power Corporation of Canada for the three months ended June 30, 1980 amounted to $27,966,000, compared with $23,865,000 for the three months ended June 30, 1979. These consolidated earnings, after providing for dividends on non-participating preferred shares, are equivalent to $1.09 as against 93 cents per participating preferred and common share for the same period last year. Earnings from operations of The CSL Group Inc. were $14,641,000 on gross revenues of $109,497,000, compared with earnings of $8,466,000 on gross revenues of $81,416,000 last year. The Corporation's share of earnings of unconsolidated subsidiaries and affiliated companies was $25,672,000, compared with $23,364,000 last year. After allowing for the extraordinary losses of $1,620,000 in the second quarter, compared with gains of $3,006,000 last year, the earnings are equivalent to $1.02 per participating preferred and common share as against $1.04 in 1979.

For the six months ended June 30, 1980, the consolidated earnings before extraordinary items were $47,604,000, compared with $35,012,000 for the six months ended June 30, 1979. These consolidated earnings, after providing for dividends on non-participating preferred shares, are equivalent to $1.85 as against $1.35 per participating preferred and common share for the comparable prior year period. Gross revenue from operations was $155,719,000 in 1980 compared with $115,344,000 in 1979. Earnings from operations were $14,263,000, compared with $6,986,000 for the first six months of last year. The share of earnings of the Corporation's unconsolidated subsidiaries and affiliated companies was $49,516,000 this year, compared with $38,755,000 in 1979. After allowing for extraordinary gains of $7,255,000, compared with $4,217,000 for the first half of 1979, the earnings are equivalent to $2.13 per participating preferred and common share, as against $1.52 last year.

The Board of Directors today declared the regular quarterly dividend on the first preferred shares. Dividends of 25 cents per share on the participating preferred shares and on the common shares were also declared in respect of the quarter ending September 30, 1980, and will be payable September 30, 1980 to shareholders of record as at the close of business on September 16, 1980.

On behalf of the Board

Paul Desmarais
Chairman and Chief Executive Officer

Montréal, August 13, 1980.